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C O N F I D E N T I A L SECTION 01 OF 02 RIYADH 000369

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NSC PASS TO MALVESTI AND KIFAYAT

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TAGS: [PREL](#) [PTER](#) [EFIN](#) [KTFN](#) [CVIS](#) [GCC](#) [SA](#)
SUBJECT: APHSCT TOWNSEND'S FEBRUARY 6 MEETING WITH SAUDI
FINANCE MINISTER AL ASSAF

Classified By: Ambassador James C. Oberwetter for reasons 1.5 (b) and (d).

11. (C) Summary: On February 6 in Jeddah, Saudi Finance Minister Ibrahim Al Assaf told Assistant to the President for Homeland Security and Counterterrorism Frances Fragos Townsend that the SAG would implement the Royal Decree requiring individuals carrying those funds in excess of \$16,000 to declare funds upon exit or entry. But he did not have a date or plan for implementation. Minister Al Assaf said that implementation of the Royal Decree would have to be preceded by a public education campaign (given the Saudi custom of carrying cash when traveling) and by building bank offices at airport and border gates, so cash can be deposited upon departure or arrival. He confirmed strong cooperation with the U.S. and promised to follow-up directly with the head of the Customs service and Ambassador Oberwetter. End Summary.

12. (C) In their first meeting, which took place in the Jeddah office of the Finance Ministry on February 6, Minister Al Assaf greeted APHSCT Townsend and mentioned that he had met with Deputy Secretary of the Treasury Kimmitt in Davos the previous week. When Townsend shared that she would travel to the Shaybah oil field in the Empty Quarter during her visit, Minister Al Assaf said Saudi Arabia is planning to build a highway through the Empty Quarter to the Omani port of Sallalah, which would give Saudi Arabia a direct commercial outlet to the Indian Ocean, bypassing the UAE ports on the lower Gulf.

Who's in Charge

13. (C) APHSCT Townsend asked about the implementation of the King's decree that would require individuals carrying cash in excess of \$16,000 to declare funds to Saudi customs officials upon entering/exiting the Kingdom. Al Assaf said that he had previously discussed this issue with Treasury Under Secretary Levey, and added that SAG Customs is the lead agency, not Mubahith. APHSCT Townsend said that this arrangement made sense, comparing it to the U.S. system. APHSCT Townsend noted that U/S Levey has the lead on this issue from a law enforcement perspective. While this requires Treasury to cooperate with investigators, it is ultimately the best arrangement. (Note: SAG Customs has the legal authority to enforce the cash declaration law but has not thus far.)

Implementation of Entry/Exit Regulations

14. (C) APHSCT Townsend pointed out that it had been over a year since the King announced the new legislation, and emphasized the importance of stopping illicit cash flow, particularly to destinations like Iraq. The U.S. has

provided training to Saudi customs officials and is prepared to offer further training, she added. But she asked if the Minister had a timeline for implementing the King's decree, and whether implementation would be phased in starting at certain airport and border gates, or done simultaneously at all entry/exit points. Progress is taking place, insisted Al Assaf, and Saudi Customs is moving towards an implementation phase beginning with the airports. Entry/exit booths are being built in the civil aviation terminals of airports, as well as in the land ports of entry, he said. Banks were provided training and infrastructure enhanced to encourage travelers to deposit money. The entry and exit forms were drafted, with the assistance of the U.S. The date for actual implementation is uncertain, according to Al Assaf, and also requires Customs to coordinate with the MOI, he said. But he undertook to report back to the Ambassador once he has talked with technical people.

Public Information Campaign is Key

15. (C) Townsend said she assumed that significant education was needed because the requirements are so new. Al Assaf agreed and said that the Saudi Customs will conduct an extensive public information campaign before the implementation date. When APHSCT Townsend asked how long this would last, he was uncertain but said that it would be long enough to prepare both the people and the facilities.

16. (C) Al Assaf stressed that controlling the entry and exit of funds has been a priority for the Saudi Central Bank (SAMA) long before September 11, noting that it is also in the best interest of the Kingdom. APHSCT Townsend acknowledged this point and added that the issue goes to the

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heart of the integrity of the financial system. It is difficult to regulate financial flows if the infrastructure is not in place for easy access to bank transfers and ATM machines, he said, which is the case in many of the neighboring countries where Saudis go on travel. In addition, he described the Saudi custom of carrying cash when going on vacation. This needed to be changed, and people need to be encouraged to rely on the banking sector instead of carrying cash. He added that it is a question of education and said that they were working hard to achieve progress. Al Assaf confirmed cooperation with the U.S. and promised to consult with the U.S. delegation during the upcoming Spring Meetings of the World Bank and IMF in Washington.

17. (C) Comment: Embassy will follow up with the Finance Ministry and has requested meeting with the Director General of Saudi Customs. End Comment.

18. (U) APSCOT Townsend has cleared this cable.
OBERWETTER